

PROJECT CONTRACT FINAL REPORT

COMMUNITY ECONOMIC DEVELOPMENT PROGRAM

NEW HAMPSHIRE COLLEGE

Title: Establishment of a Community Loan Fund for Ottawa-Carleton

Date: 1995/01/14

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Introduction

For the past two years, concerned community organizations in Ottawa-Carleton have been meeting to discuss the establishment of a Community Loan Fund in the Regional Municipality of Ottawa-Carleton(RMOC). In early 1993, the Community Enterprise Centre(CEC) released funding to assist in the financing of the fund's development. The CEC is a community based organization which promotes and supports activities that improve the economic health and sustainability of local communities through partnerships, advocacy and demonstrated leadership on community economic development(CED) issues. The CEC struck a steering committee to develop a loan fund and contracted the Social Investment Organization(SIO) to facilitate the development of a model for the fund through a process which included several consultations over a two-month period with community stakeholders. In June, the steering committee issued a press release announcing the creation of the Ottawa-Carleton Community Loan Fund(OCCLF) and committed the fund to begin lending operations in the fall of 1993.

At the same time that the CEC was working on setting up the OCCLF, the Ontario Ministry of Municipal Affairs(MMA) was circulating a discussion paper on establishing a provincial Community Loan Fund Guarantee Program. In August 1993 the model developed by SIO and the MMA's discussion paper were presented at a meeting of community stakeholders. The meeting endorsed the work to date and agreed to strike a working group with broad representation and appropriate skills to establish the OCCLF and to qualify as one of thirty five community loan funds to be supported by the MMA program when the appropriate legislation was passed.

The Community Economic Development Act was passed in the Ontario legislature in December 1993. The legislation earmarked \$10 million to guarantee the principal of loans made by a proposed 35 community loan funds in Ontario over the next five years. The proposed MMA process envisioned that sponsors of community loan funds

would express their interest in being selected for participation in this program through a request for proposals. These proposals would include a business plan with such outlines as: a financial management plan, a long-term marketing plan, sources of investment capital, technical support, etc. The community groups who were selected would be eligible to receive financial assistance of \$ 15,000 to move into the start-up phase which included: incorporation, the development of bylaws, an offering statement to investors, registration, etc.

A. Definition of the Problem:

In October 1993, Ottawa-Carleton supported 32,900 cases (individuals and families) through General Welfare Assistance, the form of social assistance most often received by long-term unemployed persons considered employable. This figure does not represent the total picture of social assistance in the Region, which is closer to 99,000 in a population base of 700,000. It does provide compelling evidence of severely entrenched unemployment in a community traditionally considered relatively prosperous. In fact, Ottawa-Carleton had the highest rate of increase in social assistance recipients in Ontario.

It is well known that disproportionate numbers of women, ethnic and racial minority group members and Aboriginal peoples are forced to depend on social assistance. Ethnic and racial minorities make up 9%, or 63,000 of the Region's population. Emigration to Ottawa-Carleton from other communities and countries has resulted in a rate of demographic change which is surpassed provincially only by Toronto, Canada's largest city. In 1993, 22% of newcomers to the Region spoke neither English nor French, and the current Francophone community represents upwards of 28% of the population. The representation of Aboriginal communities in Ottawa-Carleton is estimated at 9,000, while approximately 80,000 area residents are estimated to have a physical, developmental or psychiatric disability. Any initiatives which help these people, whether they be social assistance recipients, newcomers, Aboriginals or people with disabilities, to become more independent is of great benefit to our community. Facilitating the development of entrepreneurship is crucial to ensuring the economic integration and long-term prosperity of our citizens.

Several business development organizations such as the CEC, YM-YWCA's Enterprise Centre, VERSO, and the Ottawa-Carleton Entrepreneurship Centre, have all been confronted with the reality of their client group's inability to access traditional sources of capital. There is no shortage of good business ideas and viable Business

Plans, but these entrepreneurs are faced with formidable barriers to funding because they have insufficient assets to secure a loan. Clients coming from such disadvantaged groups as women, minority groups and the long term unemployed have exhausted their personal equity, are usually on social assistance and are not seen as good credit risks by financial institutions. These institutions typically lacked sensitivity to efforts of economically disadvantaged individuals towards self support through business development, and regarded conventional small business, home-based business, part-time business, community businesses, coops and micro enterprises as poor risks.

Problem Statement:

If no solution is found within the next year, then entrepreneurs, community-owned businesses, and individuals on social assistance in Ottawa-Carleton who cannot access credit for their business opportunities, will not be able to start their businesses, and therefore will be prevented from participating in the generation of community wealth in Ottawa-Carleton.

B. Project Goals

The overall mandate of the working group was to provide exemplary leadership to the OCCLF. This leadership was to carry out regular consultation with community stakeholders at each step of the process leading to incorporation of the loan fund.

Also, the working group was to develop a short-term strategy to provide loans on an interim basis with provincial approval. The project goals specifically were as follows:

**** To bring about the incorporation of the OCCLF, leading to loan placements, by obtaining legal advice re. the incorporation process; ensuring that the bylaws reflect the spirit, content and policies contained in the OCCLF model and as agreed to by the stakeholders; ensuring that the bylaws reflect as much as possible the requirements for the MMA loan fund program.**

Impact of the OCCLF on the Ottawa-Carleton Community: Intended Outcomes

The successful establishment of a permanent Community Loan Fund in Ottawa-Carleton will have a three-fold impact on the community economic development in the area including business development, community capital and financial institutions:

*** Business Development:**

The proposed OCCLF will specifically respond to the credit needs of individuals and groups traditionally unable to gain access to business credit. Training, consulting and mentoring services will assist these individuals in promoting viable business ideas, expressing their initiatives in comprehensive Business Plans, and presenting their loan applications in a dignified professional manner. The individual personal development throughout this process will lift these individuals self-esteem, and guide them towards self-sufficiency.

Businesses created through this initiative will create jobs, and instill a responsible attitude towards business management and financial responsibility. Sound credit ratings established through repayment of these initial loans will help to leverage future funds to augment initial personal investments. Businesses created will serve community needs and support the local economy.

*** Community Capital Investment:**

Local community capital will be mobilized to support community business development initiatives without risk to investment. While the return on investment will be modest, the major attraction will be investment in local job creation and economic development for community-spirited investors.

Participation in the OCCLF development, implementation and operational processes by representatives of all sectors of the community will promote public awareness, ensure diversity in perspectives and encourage cooperation within the community.

*** Participating Financial Institutions:**

Financial institutions supporting this initiative will enhance their public profile through demonstrated commitment to local economic development. There is a potential for a broadened customer base through future loan activity, demand for financial services, and heightened investor interest.

C. Methods:

When the CEC first established the Steering committee to create a Loan Fund in Ottawa-Carleton, there was no Community Economic Development Act, or MMA Loan fund guarantee program. There was however, a group of individuals who believed quite strongly that Ottawa-Carleton had to do a better job of making capital available to low income people and people of colour who have been shut out of the banking system. We had an initial investor, a small existing loan fund, who was willing to 'kick-start' the fund with a \$100,000 investment. After the SIO study, we had a basic model for the fund, which had met with the community's approval. We even had issued a news release announcing the formation of the OCCLF! As I stated earlier in the report, it was at this point that the MMA released their discussion papers on a provincial loan fund, complete with guarantees of the investors capital. Without a lot of discussion, it was decided by our steering committee that we should ensure that the OCCLF would be one of the first funds established under the new MMA program. The steps we followed to accomplish this objective were as follows:

Community Consultation

1. Community interest and discussion occurs.
2. A local sponsor takes on the responsibility of forming a community loan fund- ie CEC

Letter of Interest

3. The Sponsor puts together the letter of interest, outlining the general intent of the community, the assessment of need and opportunity, the background of the sponsoring organization or organizations, and the commitment to proceed toward establishing a community loan fund.
4. The letter of interest is submitted to the MMA, which then forwards the letter to the Jobs Ontario Community Action Regional Team and to the Community Development Branch of the MMA for review. The purpose of this review is to ensure that the province understands the nature of the community interest and that any potential issues which should be addressed are identified early. The Regional Team will offer any advice or comments they have to the Community Development Branch and to the potential sponsor.

Request for Proposals:

5. The MMA will invite those who have submitted a formal letter of interest to put together a detailed proposal for developing a community loan fund.
6. The proposal will include a sponsor profile; an assessment of need and demand and a description of community involvement; a delivery plan, including proposed corporate structure and organization for the CLF; a client service plan for the borrowers, including technical assistance; relationship with a financial institution; marketing and investment plans to attract investors and reach out to potential borrowers; operating budget and financial projects, including the expected sources of support to cover operating expenses; and management of the loan guarantee operations.

Approval in Principle

7. The MMA will review the proposals and provide an "Approval in Principle" for successful sponsors. These will be eligible for start-up funding to cover the costs for the next steps.

Incorporation and Registration:

8. The successful sponsors will develop incorporating documents and file for incorporation of the community loan fund as a non-profit corporation under the Corporations Act, or as a non-profit co-operative under the Co-operative Corporations Act, and will select the members for an interim board of directors.
9. The province will negotiate with the CLF to establish the size of the fund to be guaranteed and the framework for an operating agreement.
10. The CLF will negotiate an agreement with a financial institution for loan administration and other assistance.
11. The CLF will be registered by the MMA under the Community Economic Development Act. To register a CLF, the MMA will require all of the elements listed under the "Request for Proposal" section(5-6)
12. The CLF will be required to elect a board of directors within 18 months of incorporation.

As I will discuss in the next section on Results, all of the above has been accomplished or will be accomplished before the end of January 1995. This is about 3 months behind our original schedule but certainly acceptable to the community. One reason for this of course is the fact that we have been making loans for the past year under a special interim arrangement with the province. The Steering committee which was formed by the CEC became the "Board of Directors" for this interim

fund. This meant of course that we were performing two functions- as a loan committee for the interim fund and as a working committee to prepare all the above documents for becoming a permanent CLF under the CED Act..

Having the CEC sponsor the proposal and therefore being able to take advantage of its logistical support was very beneficial to our efforts. The Executive Director of the CEC was very helpful, especially when it came to communicating with the provincial bureaucrats in Toronto. Because he was so knowledgeable in the field of community investing, he was able to directly influence the legislation and regulations affecting us. Although the start-up money from the province was meager, (\$15000), the CEC helped to finance a loans officer position on a full-time rather than part-time basis. This person became a valuable resource person to the Steering committee, liaising with the technical agencies, keeping us current on MMA requirements and preparing some of the drafts for the various documents we were responsible for creating. (See Appendices)

The Steering committee had a good split between traditional business types ie. an investment banker and a financial consultant, and CED practitioners. The Visible minority community was represented, as were social assistance recipients. The committee even had a local politician! One major draw back of the committee's composition, and one that was pointed out to the CEC quite early by the MMA, was that there were no women on the committee.

The time-table that was set by the province was, I believe, ambitious. The committee worked extremely hard to prepare the necessary documents for the MMA's approval, meeting approximately every two weeks for a year! Much of this time was spent reviewing loan applications and the committee did find this useful as we were drafting the various documents for our registration- ie the loan application package, and the technical assistance delivery plan.

One area I wish to comment on concerning Methods was with regard to community

consultation. The procedure we followed was to present a model for review by community stakeholders and then to seek their endorsement of this model for the Steering Committee to work with. Once this was done, the steering committee was essentially "on it's own". We essentially adopted a narrow consultation focus from that point on ,concentrating on producing the necessary documents. I believe this was essential to our being able to keep to a relatively tight timetable. By ensuring that the Board of Directors is representative of the community that we wish to serve and by ensuring that our marketing initiatives reach out to these communities, I believe we will accomplish what the MMA wants us to do in the way of community consultation.

D. Results:

In the past five months, the OCCLF recieved over 90 applications from individuals who could not get financing through financial institutions, institutions that have just posted record profits in Canada. Out of the 90 applications , we have made 11 loans in the amount of\$96,000. As well, we have draft copies of all the various documents the MMA requires for registration as a permanent CLF under the CED Act. These documents are to be given one last review by our steering committee, and then they will be sent to the MMA. We have been told that we can expect confirmation of our status in mid-February 1995. We have also worked closely with the Caisse Populaire Notre-Dame, the financial institution chosen to administer the OCCLF's loans, in order to ensure that they were in agreement with our process.

In Ottawa-Carleton, we are fortunate to have several technical support groups who work with our target clients in the area of business development. They include: CEC-Verso-CommunityWorks-West-End Community Ventures-YM/YWCA Enterprize Centre-Ottawa-Carleton Entrepreneurship Centre. I believe that this technical support contributes directly to higher survival rates for small business. For the most part, the types of businesses that we have supported to date have been micro-enterprises, with the exception of Woodcore Inc., employing one to three people on a permanent, full-time basis. I have included a list of the successful applicants as well as a few of the unsuccessful ones. The OCCLF has made capital available to 11 applicants who have proceeded to establish viable businesses(we have no defaults yet),to create employment in the community, and to reduce their dependence on social assistance. The fund has made it possible for these entrepreneurs to become productive and active members of the community. The following Case study on OCCLF Loan Receipients prepared by our committee for the MMA better illustrates than anything else the positive results of the OCCLF for the loan receipients and Ottawa-Carleton as a whole.(Pls see next 5 pages)

CONFIDENTIAL**OTTAWA-CARLETON COMMUNITY LOAN FUND**

219 Argyle Avenue, suite 406
Ottawa, Ontario
K2P 2H4

LOAN STATUS REPORT

As at November 09, 1994

LOANS APPROVED							
#	CLIENT	BUSINESS NAME	DATE APPROVED	DATE ISSUED	LOAN AMOUNT	AMOUNT PAYABLE	LOAN STATUS
1	Michael Long	Home Grown Canadian	01/17/94	10/17/94	5,000.00	3,428.16	current
2	C.E.C.	Woodcore	02/21/94	02/21/94	10,000.00	9,166.00	current
3	Harold Sotomayor	Bunker Video	05/02/94	06/30/94	10,000.00	8,749.00	current
4	Katherine Allen	K.E. Allen Designs	05/16/94	05/16/94	10,000.00	9,166.68	current
5	Sherry Steeves	Clothes & Friendly	05/16/94	05/16/94	10,000.00	7,166.00	current
6	Al Landry	Fishin' Digest	06/27/94	09/01/94	6,000.00	5,750.00	current
7	Michel Leblanc	Canflex	09/20/94	09/25/94	10,000.00	9,583.00	current
8	Anita Werner	Cornucopia Catering	09/28/94	-	5,000.00	5,000.00	new issue
9	Vesna Madjaric	Vesna Medical Uniform	07/07/94	07/29/94	10,000.00	9,166.68	interest only to December
10	Bertha McDaniels	Benji's Place	10/07/94	-	10,000.00	10,000.00	new issue
<i>11 Teen Clients</i> TOTAL <i>Much to Much 12/05/94</i>					36,000.00 19,000	79,581.36	

96,000

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LOAN STATUS REPORT

As at November 09, 1994

LOANS NOT APPROVED / PENDING					
#	CLIENT	BUSINESS NAME	DATE REFUSED	LOAN REQUESTED	STATUS
1	M. & A. Hafoud	East European Trade	May 16/94	10,000.00	refused
2	Robert Schan	R.L. Schan Building Services	July 07/94	6,000.00	refused
3	Andrew Harvey	Brendale General Contracting	July 07/94	2,000.00	refused
4	Ivin Deschatelets	I/20 Designs	Aug. 30/94	9,000.00	refused
5	Brigitte Trepnier	Gator Tanning	Sept. 12/94	10,000.00	refused
6	Ahmanyah J. Ross	Ahmanyah Design Consulting	Sept. 12/94	10,000.00	refused
7	Oumar Diallo	D. CAD	Oct. 18/94	9,500.00	refused
8	Georgette Anto	Divine Nectar	Oct. 18/94	10,000.00	refused
TOTAL				66,500.00	

NOTE: Loans not yet issued have been approved but are awaiting the completion of paperwork at the Caisse Populaire Notre-Dame. Loans pending are awaiting revisions or new submissions from the client. Eighteen applications processed to date.

Purpose of this report:

This report has been compiled as the result of a request from the Ontario Ministry of Municipal Affairs for information on the change in financial and personal status of clients who have received loans through the Community Loan Fund program. It contains a summary of the financial situation of two clients, before and after receiving a loan from the Ottawa-Carleton Community Loan Fund. It also addresses the change in standard of living and responsible contribution to the community. Client names have been excluded to preserve client confidentiality.

Client #1

Client #1 is a 41 year old single mother who has worked as a commercial and graphic illustrator and freelance writer. She has 14 years experience in the graphics and photography industry and was laid off due to a lack of work in January 1985. She was subsequently employed as a freelance writer with the Ottawa Citizen newspaper for four years, but found her income decreasing over time until she became dependant on Social Assistance to make ends meet in 1993. In February of 1994 she enrolled in the Community Enterprise Centre's Best B.E.T. Entrepreneurship Training course (part of jobsOntario training), and successfully completed the course and a business plan in May.

Prior to the Loan:

Prior to receiving a loan, this client's monthly income totalled \$1,285. Of this her basic expenses including rent, food, utilities, and child care accounted for over \$1,100. The margin left was barely enough to cover her remaining expenses such as insurance, car, clothing, entertainment, etc. She was fortunate enough to have very supportive friends in the community who offered to help her in many small ways while she completed her business plan and began operations. This extra help made it much easier for her to attend class regularly and to focus on the task of opening a business. At the time of her loan, her total outstanding liabilities totalled \$4,700 and she possessed only \$400 in real assets.

After the loan:

She applied, and was approved for a loan of \$10,000 to begin her new business in the sports art field on June 27th, 1994. Ninety-two percent of this loan was used to finance start-up costs related to the business with the rest being used as a cash reserve to meet immediate needs.

The business produces and sells high quality sports art in the form of paintings, photographs, and paint/photograph combinations, primarily to sports clubs and corporate clients. She has also begun negotiating a distribution agreement for potential sales to the general public. Since beginning operations in August, this client has secured contracts with a number of professional teams including the Toronto Blue Jays, Montreal Canadiens, Ottawa

Lynx, Ottawa Senators, and Ottawa Rough Riders, to produce player and team representations for use in flyers, promotional material and color catalogues. Corporate clients have included a number of well known businesses in the Ottawa area high-tech industry who have purchased works for corporate offices, meeting rooms, and reception areas. A distribution agreement would see a sample of her work displayed and sold as posters and cards in a variety of regional and provincial chain stores.

This client has made all scheduled loan payments on time and there is no reason to think that her success will not continue. Even though the major league baseball season has finished early, and the NHL season remains in doubt, this client has sufficient income potential and other marketing contacts to safely see her through to the beginning of next year. Over the "off" season she has plans to produce works for a variety of local hockey and skiing teams and will pursue public sales of her work.

Her income per month has increased substantially, however she has maintained a tight control on spending in order to build a "safety cushion" in case of emergency need. She owns over \$3,000 in real assets and has reduced her outstanding liabilities by half through the profits from her business.

In summary, the \$10,000 loan guarantee provided by the Ottawa-Carleton Community Loan Fund has allowed this client the opportunity to develop a business that has improved her financial (and as a result) her personal situation to a point where she can comfortably live, work and participate in the life of the community.

Client #2

Client #2 is a 42 year old single male who has experience in, and knowledge of, the food preparation industry going back to his childhood when both his parents owned a small general store and butcher shop in New Brunswick. He has travelled across Canada and much of the United States while working as a bus boy and cook in a variety of restaurants. His principle interest is in traditional, hearty food and traditional recipes from a variety of cultures. When no longer able to earn enough as a cook in Ottawa, he began receiving general welfare in February 1993. He enrolled in the Community Enterprise Centre's Best B.E.T. Entrepreneurship Training course in November 1993, and successfully completed the course and a business plan in January 1994.

Prior to the Loan:

Prior to receiving a loan, this client's monthly income totalled \$885. Basic expenses including rent, food, and utilities totalled over \$800. The remainder was barely enough to cover any remaining expenses, much less allow him to entertain the thought of starting his

own business. With the help of a support network including the C.E.C., a friend in the construction business, a lawyer and an accountant (who worked for cost only), he was able to complete a business plan to the satisfaction of the O.C.C.L.F. and the Caisse Populaire.

After the loan:

He applied for, and had approved a loan of \$5,000 which was used primarily to purchase start-up materials and to construct a kiosk from which to sell his product. The business began operations on January 17th, 1994 selling "poyes" (a type of crepe with different toppings), hot drinks and other snack items to people on the world's longest skating rink, the Rideau Canal. The Canal attracts about 3 million person visits a year and with an average of 120 sales a day at \$4.00 each, the business was off to a fast start.

Since then, the business has been involved with a number of different festivals in the region including the Tulip Festival, the Franco-Ontarion Festival, the Jazz Festival and a variety of fairs and exhibitions. Sales have run through a series of highs and lows, however with the on-going support of consultants from the C.E.C., this client has managed to maintain a steady bank account and make his regular loan payments on time. He has recently made arrangements with the National Capital Commission (N.C.C.) to co-sponsor one of the activities during this year's Winterlude celebration on the Canal - the 25th anniversary of the National Arts Centre. This represents a wonderful public relations and publicity opportunity and is seen as a promising sign to be associated with other large corporate sponsors and participants.

The client is currently seeking to expand the business so as to be better able to provide goods to the public during large events like Winterlude. The planned expansion will consist mainly of rented space and equipment that can be used only as needed and will not impose unnecessary financial burdens on the young business. The C.E.C. and the O.C.C.L.F. continue to play a key role in monitoring and guiding this business and see no reason why this client will not reach his full potential as a small business entrepreneur with strong ties to the community and his business.

While this client's monthly income has not increased as substantially as hoped, the business has grown and improved and shows promising signs that in it's second full year of operations it will begin to return a considerable profit. In the meantime, this client has developed strong business and personal contacts in the community and continues to pursue and use a support network to help ensure his future success.

In summary, the \$5,000 loan guarantee provided by the Ottawa-Carleton Community Loan Fund has allowed this client the opportunity to develop a business that has improved his feeling of personal worth, has increased his monthly income, and allowed him to develop a network of contacts in the business community that will help ensure his future success.

Example #3

The O.C.C.L.F. has also been involved in the start-up of a larger, community-owned corporation called **WoodCore**. This business, a furniture manufacturing shop employing people facing barriers to employment, was recently recognised as "Business Start-Up of the Year" by the Nepean Chamber of Commerce.

WoodCore was also nominated as "Employment creator of the Year" since it has created more than 30 new jobs so far, the majority of which have been for social assistance recipients. WoodCore has signed a major contract with the Regional Municipality of Ottawa-Carleton and expects to have sales in it's first year of approximately \$3.5 million and spin off effects in the community of up to \$6.0 million!

In the three examples I've just outlined, for a total loan guarantee of \$25,000, we have helped create permanent, full-time employment for over 30 people, and have helped these same people get off social assistance and become productive and active members of our community. This doesn't even consider the spin-off economic benefits to other businesses and organizations in the community. Now, I'd say that was a pretty good bang for the buck!

We hope to begin permanent operations very early in the new year, and will be seeking investors to purchase the provincially guaranteed "Class A" notes that Tanya mentioned earlier. We are looking for the backing of the community to help us continue to support these kinds of employment creating and valuable community businesses. We have clearly seen the need for a facility like this, and given the quality of some of the applications we have received, there are obviously a lot of people in our community who have the skills, enthusiasm and motivation to be able to start successful new businesses.

Investing in the Ottawa-Carleton Community Loan Fund "Class A" note not only provides the investor with a Provincial guarantee on the capital invested, it also provides the local community with tangible social and financial benefits. Job creation and the economic spin-offs in the community helps the local economy, they reduce reliance on social assistance programs thereby freeing up tax dollars, and they create a healthier and more vibrant society.

The objective of the OCCLF as written in our by-laws states:

"to promote and further the development of the community in Ottawa-Carleton by working with individuals primarily of low or modest income who face credit and other barriers to economic self-sufficiency, and making possible and encouraging the participation of these same in the economic life of the community by arranging loans, personal counselling and the provision of technical, business and financial advice."

By investing in the OCCLF, the public can play a very significant role in supporting this objective and the concrete results we have seen in our community. Investors can directly

affect the quality of their community through the OCCLF.

I have mentioned the "public" and the "community" as investors, but we will be looking for investments, as well as grants or donations towards operating costs, from a wide range of community sources including: individuals, corporations (contributions from advertising budgets, donations, etc), foundations, community groups, and the like.

So, to be in a position to encourage economic growth and employment here in the Ottawa-Carleton region, and to make a real difference to the lives of some of our fellow citizens who have the drive but not the resources, we need the support of the investing public. The demand is out there, we need help to be able to answer it effectively, and in so doing it will benefit all of us.

E. Analysis - Conclusions - Recommendations:

The first question I ask myself is whether or not we were successful? Did we accomplish our goal of receiving official status as a CLF under the MMA's Loan Fund Guarantee program? The answer to this question is YES! Barring any last minute complications, the OCCLF will be registered by mid-February 1995. Having answered this question, I believe I must then ask the more important question-Does or will any one care? Will this make a difference in the lives of individuals of primarily low or modest income in Ottawa- Carleton? The answer to this question is two-fold. It certainly has made a difference in the lives of the people profiled in the previous pages(see case study) However, I believe it is much to early to make an informed comment on the longer term issue or wider community. As we know, CED is a long term process. Both communities and individuals do not for the most part acquire self-sufficiency, empowerment, control and the confidence which comes with these important elements overnight....and eight months is overnight in this context.

The OCCLF has several hurdles to overcome in the coming months. It has raised \$140,000 of the \$350,000 that the MMA has allocated it in the first Offering Statement. Will it be able to raise the rest? I believe so, because the steering committee has gone out of it's way to include traditional business types on the Board of Directors. It is not the committee's intention that the OCCLF be seen as a charitable organization. Will the OCCLF be succesful in reaching the target low-modest income people it's by-laws says it should? I believe that it will. The 90 apllicants to the interim loan fund were all social assistance recipients, and the fund never advertised it's existence in a formal way!

I stated earlier in the Methods section that the OCCLF was started before the province decided that CLF's were a good thing! When the MMA program was announced we jumped on the band wagon, not wanting to be left out. I believe there

were advantages and disadvantages to this.

ADVANTAGES

The biggest advantage I believe, although I will discuss its drawbacks in the next section, was the 100% guarantee of the investors capital investment(principal only). There was an article which appeared in the *Globe and Mail*(Canada's National Newspaper) which stated that Venture Capital Funds in Canada have a hard time attracting capital because of a lack of guarantees for the capital. Although this matter is largely overcome by the attractive tax incentives these types of investments carry, it still makes it difficult to raise capital for community investment. This is one problem the OCCLF doesn't have to address because the class A notes provide the investor with a Provincial government guarantee on the capital invested.

The other advantage to the MMA program was that start-up and operational dollars have been pledged over the short term. Although we were not talking about great amounts of money-\$15,000 for start-up and approximately \$45,000 for first year operating, this money helped to leverage money from the CEC, the funds sponsor. Also, by having a sponsor, the OCCLF was able to receive valuable administrative and technical assistance as it prepared for MMA registration. The MMA required as part of the interim fund that applicants have graduated from a business development course given by one of the community's business development groups. This was seen as key to identifying those with realistic business plans, and helped establish the OCCLF's credibility.

DISADVANTAGES:

I believe the major disadvantage to the way this program was structured was the loss of community control, and ability to create a CLF which reflected the reality of Ottawa-Carleton. A primary example of this was the issue of the 100% guarantee of the investors capital. Very early in the process, the steering committee asked the MMA if we could accept investments from people based on a lesser guarantee, thereby

leveraging the \$350,000 ceiling we were given. We reminded them that we had already raised \$140,000 without guarantees before they launched their program. They said no, for a variety of reasons, most of which had to do with the fact that they had already gotten all of the program approved by the finance department, and to change now would mean starting all over. With a provincial election less than a year away, we knew this wasn't an option. They have taken this matter under consideration for the next offering period.

The other major disadvantage with this program was the amount of paperwork required to meet MMA standards and the tight timeframe that the steering committee was required to work under. This may have been more acceptable if the amount of development money given to the CEC was more realistic. It really comes down to the point that a process which began as a community driven one became a provincially driven one, and all for the questionable benefit of having provincial loan guarantees. Another important lesson learned was the importance of providing technical support on an ongoing basis, including mentoring for the individual. Graduation from a business development seminar with a complete business plan was definitely not sufficient.

The final example I have of the drawbacks of dealing with provincial or state programs is you are stuck with their rules and judged by their criteria, no matter how unreasonable they may be. This brings me to the "acceptable" default rate for this MMA program. The province has set it at 3%! The American experience with these types of high risk loans is between 10% and 15%! This totally unreasonable figure is due to the fact that the MMA was 'rushed' into getting this program off the ground before the next Provincial election and I believe they have based it on "mixed" loan funds in the US which have a substantial amount of lower-risk mortgage loans. The MMA is setting us all up for failure!

Before I got involved in the OCCLF, I was concerned by how negative and cynical

Canadians seemed to be getting, with pessimism and complaints becoming a national hobby. I was afraid that we were losing the drive, initiative and attitude it took to create this country. But I have seen this initiative, drive and attitude in the applicants to the OCCLF. Anne Murray has a song entitled " We Sure Could Use A Little Good News Today". I believe the OCCLF is a good news story, which I am proud to have played a role in telling!